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# GAIN Report

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## Russian Federation

### Wine

## Wine and Spirits Imports Halted Temporarily 2006

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**Report Highlights:**

Russia's Federal Customs Service will close the borders temporarily effective April 1 to imports of all wines and spirits, unless last minute changes are made to its new Law on Production and Turnover of Alcohol or State Regulation Law (SRL). Failure to amend the law shuts down \$1.2 billion (annual 2005) imports of wines and spirits. No matter what changes the new spirits law brings, imports from Moldova and Georgia are shut down due to Ministry of Health claims regarding contaminated wines and spirits from those nations.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Moscow ATO [RS4]  
[RS]

As reported previously, in GAIN RS5316 and RS5322, the new spirits law (SRL) creating a new domestic and import regulation regime for wines and spirits was passed by the Duma in July 2005 and signed into law by President Putin on January 2, 2006. The law's implementation was almost immediately delayed to April 1. The law provides for new excise tax and customs stamps, with bar-coded data; changes in the regulation of import licenses; and changes to labels. New stamps are purchased from the Federal Customs Service based on ad valorem prices reported on import invoices for payment of customs duties and VAT charges. Proprietary software is to be used to produce a unique bar code on the stamp. The scheme, if used properly, would all but eliminate the ability to falsify or counterfeit stamps. The new regime would also raise customs and VAT revenue appreciably. While aimed at reducing the amount of fraud and corruption in the present system of alcohol distribution, the SRL has mainly caused conflict within industry and disruption of normal marketing cycles. The Federal Tax Service managed to introduce a working system for domestically produced products by the April 1 deadline while the Federal Customs Service failed to do so for imported goods.

Are there stamps? As you see in the attachment examples, yes, there are, but no one can use them. Printed data must be added to the stamp. The software to print the SKU on the stamp doesn't work, and the hardware to print the stamps went on sale only recently. Reports are that a last minute push by the Federal Customs Service to produce with the subcontractor a working stamp system met with some success, but only upcoming weeks will show this to be true. Importers guess that it will take a few months to work out the bugs in the system and get new stamps

to exporters. April 1 any imported alcohol products must be stopped and remain uncleared at customs. Traders report what is needed is the maximum effort to produce a working process for printing stamps. Delays will occur as the system comes online and new stamps must be shipped to exporters in the country of origin for application to bottles. Traders also report their hope that a deadline for marketing products labeled with the old stamps be extended from June 30 to December 31. March 31, Russia's official newspaper, *Rossiskaya Gazeta*, reported that the Customs Service is considering extending the life of old stamps until July 1 and sales of imported wine and spirits with old stamps until September 1. This move will have little effect since old stamps were sold out in early March and are unavailable. It will help traders with product already labeled to finish off shipments. Also, much more time is needed to successfully market imported alcohol than by September 1. Retailers are jittery about buying any alcohol that they might be unable to sell due to an artificial, bureaucratic deadline. It would be beneficial to have the deadline for sales of stamped alcohol extended to December 31. To be ready to import product with new stamps, some importers plan to move shipments nearby and affix new labels to them prior to import, cutting weeks off delivery time.

Just as the new spirits law comes into effect, disrupting trade, the Ministry of Health effective March 27 banned all Russian imports of wines and spirits from Moldova and



Georgia. In addition, the action affects all stocks currently present in Russia and products must be removed from store shelves. Traders report that the reason offered by the Ministry of Health, that pesticides and contaminants are present, does not adequately explain the severity of the Ministry's action. Press reports indicate more than 200 containers of Moldovan products sit idle on train tracks, unable to clear customs or be returned home. The Health Ministry has also commented in public about contaminant threats in Argentinean and Chilean wines but has not acted against these products.

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